

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED DECEMBER 24, 2014

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 24, 2014

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Ms. Eve Gonzalez, Executive Secretary,
Department of Public Service

Dear Senator Alario, Representative Kleckley, and Ms. Gonzalez:

This report includes the results of our procedures at the Department of Public Service (Department) for the period from July 1, 2012, through June 30, 2014. Our objective was to evaluate certain controls that the department uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability for public funds. I hope the information in this report will assist you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of the Department for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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PSC2014

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Department of Public Service

December 2014



Audit Control # 80140111

Introduction

The primary purpose of our procedures at the Department of Public Service (Department) was to evaluate certain controls that the department uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability for public funds.

The mission of the Department is to impartially, equitably, and efficiently regulate the rates and service of public utilities and common carriers operating in the state to ensure safe, reliable, reasonably-priced services for consumers and a fair rate of return for the regulated utilities and common carriers and to carry out legislative mandates, such as “Do Not Call” regulation.

Results of Our Procedures

We evaluated the Department’s operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Department. Based on the documentation of the Department’s controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to Fueltrac card activity, board member travel, and the functions of the Department’s public utilities audit division.

Fueltrac Card Expenditures

The Department uses fuel cards (Fueltrac) to purchase fuel and pay for minor vehicle repairs and maintenance, such as oil changes or replacement of car batteries and windshields. Due to inherent risks that exist with fuel cards, we obtained an understanding of the Department’s controls over access to and use of the cards and reviewed selected transactions. We determined that the Department had properly implemented controls to ensure fuel purchases were approved and used for business purposes; sufficient documentation was maintained; and fuel purchases were reconciled to invoices, logs, bank statements, and the general ledger.

Board Member Travel

The Department maintains a corporate travel account to pay for most travel expenses. Due to inherent risks that exist with travel expense, we obtained an understanding of the applicable state laws and department policies and controls regarding travel reimbursements. We also reviewed selected transactions for travel expenses of board members. We determined that the Department had properly implemented controls to ensure that board member travel expenses were approved, documented, in compliance with state laws, and reconciled to receipts, invoices, and the general ledger.

Public Utilities Audit Division

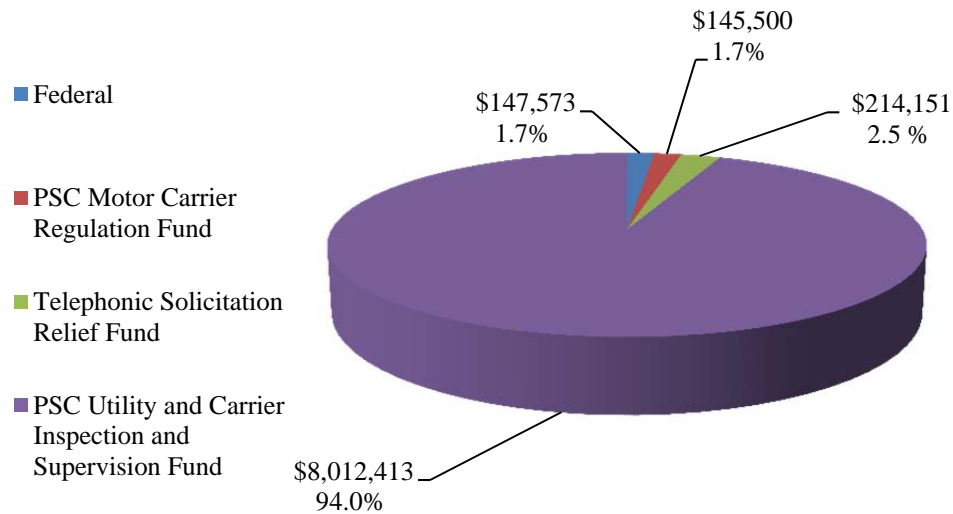
We performed procedures to obtain an understanding of the function of the Audit Division and the types of audits performed. We determined that the Audit Division's mission is to ensure utility and common carrier rates passed on to citizens of Louisiana are reasonable and allowable. Some of the Audit Division responsibilities include reviewing rate filings, issuing letters of non-opposition relating to incurring debt or transfer of asset activity considered by the utility company, and performing or reviewing audits. Audits include inspections and review of financial activity of the utility company. Most audits are performed by the Department's six internal staff auditors with assistance provided by other divisions in the Department. However, for larger companies which may have more complex audits, audits are typically contracted through an external auditor, with contract expenses paid by the utility company in accordance with Revised Statute (R.S.) 45:1180. We noted that the Department had written policies, procedures, and audit programs to perform the audits administered by the Public Utilities Audit Division.

Trend Analysis

We compared the most current- and prior-year financial activity using the Department's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from the Department's management for significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

We also presented the Department's revenues (see Exhibit 1) for fiscal year 2014 for informational purposes. The Department's revenues totaled approximately \$8.5 million as of June 30, 2014, with 96% of those revenues provided by the Utility and Carrier Inspection and Supervision Fund, a statutorily-dedicated fund. In accordance with R.S. 45:1177, each motor carrier and public utility pays the state a fee, based on gross receipts, for the inspection, control, and supervision of the business service and rates.

Exhibit 1
Appropriated Revenues as of June 30, 2014



Source: 2014 Annual Fiscal Report

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Public Service (Department) for the period from July 1, 2012 through June 30, 2014. Our objective was to evaluate certain controls that the Department uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability for public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

- We evaluated the Department's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Department.
- Based on the documentation of the Department's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to Fueltrac cards, board member travel, and the Department's Public Utilities Audit Division.
- We compared the most current- and prior-year financial activity using the Department's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from the Department's management for significant variances.

We did not audit or review the Department's Annual Fiscal Reports and, accordingly, we do not express opinions on those reports. The Department's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.